

Message Text

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ACTION NEA-10

INFO OCT-01 AF-06 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

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R 220910Z FEB 76
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 3945
INFO AMEMBASSY MUSCAT
AMEMBASSY DOHA
AMEMBASSY MANAMA
AMEMBASSY KUWAIT
AMEMBASSY JIDDA
AMEMBASSY TEHRAN
AMEMBASSY LONDON
AMEMBASSY CAIRO
USINT BAGHDAD
AMEMBASSY ALGIERS
AMEMBASSY BEIRUT
AMEMBASSY DAMASCUS
AMEMBASSY KHARTOUM
AMEMBASSY RABAT
AMEMBASSY SANA
AMEMBASSY TRIPOLI
AMEMBASSY TUNIS
AMEMBASSY TEL AVIV
AMEMBASSY ISLAMABAD
AMEMBASSY NEW DELHI

S E C R E T FINAL SECTION OF 2 ABU DHABI 0441

5. ALTHOUGH PRESENT SYSTEM IS MESSY AND INEFFICIENT IN TERMS
OF GOVERNMENT OPERATIONS, IT SEEMS TO BE PROVIDING GENERALLY
BENIGN FRAMEWORK FOR UAE'S DEVELOPMENT BOOM. WHILE DE-
VELOPMENT IS VERY UNEVEN AMONG THE EMIRATES, ZAYED'S GENEROUS
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FUNDING OF FEDERAL PROJECTS HAS BROUGHT FAIR AMOUNT OF ECONOMIC ACTIVITY TO EVEN POOREST OF SHAIKHDOMS. POTENTIALLY MOST WOR-RISOME SITUATION IS IN ABU DHABI ITSELF, WHERE ENORMOUS REVENUE OUTSTRIPS GOVERNMENT'S ABILITY TO SPEND OR MANAGE IT EFFICIENTLY. WE HAVE HEARD GOOD DEAL OF CRITICISM RECENTLY FROM YOUNGER GOVERNMENT OFFICIALS AND BUSINESSMEN TO EFFECT THAT ZAYED, ONCE CONSIDERED PROGRESSIVE ESPECIALLY IN CONTRAST WITH HIS PREDECESSOR, SHAIKH SHAKHBOUT, IS NOW HIMSELF SLIPPING BEHIND TIMES. SO FAR, HOWEVER, WE BELIEVE CRITICISM ALONG THESE LINES, ALTHOUGH UNDOUBTEDLY ON TARGET, IS IN CATEGORY OF INDIVIDUAL GRUMBLING AND HAS YET TO AMOUNT TO POLITICALLY SIGNIFICANT DISAFFECTION. WEAKNESSES OF ZAYED'D ADMINISTRATION ARE PROBABLY OUTWEIGHED IN MOST PEOPLE'S EYES BY ITS MERITS--GENEROSITY, SOCIAL CONCERN, AND LIBERALITY. UNLESS HE FAILS COMPLETELY TO STRENGTHEN THE EMIRATE'S GOVERNMENTAL ADMINISTRATION HIS REGIME APPEARS AT THIS TIME TO BE REASONABLY SECURE.

6. ZAYED'S TERM OF OFFICE AS PRESIDENT OF UAE EXPIRES THIS DECEMBER, BUT IT IS HARD TO ENVISAGE AGREEMENT ON ANYONE ELSE TAKING HIS PLACE. ODDS THUS APPEAR STRONG THAT HE WILL BE ELECTED (BY HIS FELLOW RULERS) FOR FURTHER FIVE-YEAR TERM NEXT DECEMBER, UNLESS HE IS PERSONALLY UNWILLING TO CONTINUE.

II FOREIGN AFFAIRS

7. THERE WERE NOT SIGNIFICANT CHANGES IN DIRECTION IN UAE FOREIGN POLICY LAST YEAR. SHAIKH ZAYED AND FOREIGN MINISTER SUWAIDI CONTINUED TO STEER CAREFUL MIDDLE COURSE BETWEEN PAN-ARAB INVOLVEMENT AND PAROCHIAL INTERESTS, POLICY WHICH APPEARS TO HAVE SERVED UAE REASONABLY WELL. PRIME CONSIDERATION AGAIN WAS TO MANAGE UAE FOREIGN RELATIONS IN SUCH A WAY AS TO CREATE BEST POSSIBLE CLIMATE FOR SOLUTION UAE'S INTERNAL PROBLEMS. IN THIS RESPECT POLITICAL ENVIRONMENT IMMEDIATELY SURROUNDING UAE NOTABLY IMPROVED IN 1975. IRAQI SHIFT TOWARD MORE PRAGMATIC POLICIES AND GREATER COOPERATION WITH GULF NEIGHBORS LOWERS PROMINENCE OF CONSERVATIVE/RADICAL RIVALRY IN AREA AND HAS BEEN PARTICULARLY WELCOME TO UAE. BECAUSE OF LARGE NUMBER OF OMANIS IN UAE, GOVERNMENT IS ALSO RELIEVED TO SEE SULTAN'S FORCES PREVAIL IN DHOFAR. BOTH OF THESE DEVELOPMENTS HAVE GIVEN UAEG GENERALLY GREATER SENSE OF OVERALL SECURITY.

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8. UAEG TOOK CAREFULLY NON-ALIGNED POSITION IN SPLIT WITHIN ARAB RANKS OVER MERITS OF SINAI II. IT DID NOT JOIN CHORUS OF SADAT'S CRITICS, AND INSTRUCTED ITS PRESS AS WELL TO STAY OUT OF

DISPUTE. EGYPT CONTINUED TO GET A LION'S SHARE OF UAE ASSISTANCE--IN 1975 MORE THAN TWICE AS MUCH AS SECOND LARGEST RECIPIENT SYRIA. WE MUST ASSUME THAT GENEROUS PAYMENTS WERE

ALSO MADE TO PLO AND PERHAPS OTHER PALESTINIAN GROUPS AS WELL. UAEG REMAINS HIGHLY SENSITIVE TO PALESTINIAN ASPECT OF ARAB-ISRAEL PROBLEM.

9. UAE MADE MAJOR EFFORT FURTHER TO IMPROVE RELATIONS WITH ITS TWO BIG NEIGHBORS--SAUDI ARABIA AND IRAN, ALTHOUGH FRUSTRATION WERE ENCOUNTERED IN DEALINGS WITH BOTH. UAEG MET WITH LITTLE SUCCESS IN ATTEMPTING TO PROD SAUDI ARABIA INTO TRACKLING ITS BORDER PROBLEM WITH OMAN, UPON WHICH FINALIZATION OF UAE'S OWN 1974 BORDER AGREEMENT WITH SAUDIS SEEMS TO DEPEND. WITH IRAN, UAEG REMAINED SOMEWHAT DISSATISFIED WITH GOI'S CONTINUING DIRECT RELATIONS WITH INDIVIDUAL EMIRATE RULERS (WHICH THESE RULERS THEMSELVES ARE DOING THEIR BEST TO RETAIN). ON SHAH'S PART, WE IMAGINE THERE ARE SOME LINGERING MISGIVINGS ABOUT ZAYED'D SLOPPY ADMINISTRATION AND HIS CONNECTIONS WITH RADICAL ARAB STATES.

10. SHAKH ZAYED HAS BEEN ACTIVE SUPPORTER OF IDEA OF SPECIAL RELATIONSHIP AMONG SMALLER GULF STATES, WHICH HE MAY HOPE COULD LEAD EVENTUALLY TO POLITICAL AMALGAMATION. HE IS NHP PARTICULARLY TAKEN WITH SHAH'S IDEA OF GULF SECURITY PACT AND BELIEVES IN ANY CASE THAT ARABS SHOULD FIRST STRENGTHEN COOPERATION AMONG THEMSELVES ON THEIR SIDE OF GULF. HE ENTHUSIASTICALLY SUPPORTS CURRENT NEGOTIATIONS BETWEEN KUWAIT, QATAR, BAHRAIN AND UAE FOR CURRENCY UNIFICATION, BUT IS PERHAPS AS YET UNAWARE OF THE FAR-REACHING POLITICAL IMPLICATIONS THAT THIS STEP WOULD ENTAIL IN TERMS OF RELINQUISHING CONTROL OVER MANAGEMENT OF IMPORTANT PART OF UAE'S ECONOMIC LIFE.

11. ON WIDER WORLD SCENE, UAE REMAINS IN BOTH ABSOLUTE AND RELATIVE TERMS ONE OF THE MOST GENEROUS DONORS OF ECONOMIC ASSISTANCE. BOTH LEVEL OF ASSISTANCE, AND PRIORITIES GUIDING COUNTRIES TO WHICH IT IS GIVEN, ARE LIKELY TO REMAIN THE SAME IN 1976. MANAGING THESE HANDOUTS ON BILATERAL BASIS HAS BEEN FLATTERING

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TO ZAYED'S EGO BUT IT ALSO HAS PLACED STRAIN ON TIME AND ENERGY OF UAE OFFICIALS, WHO ARE CONSTANTLY PLACED IN INVIDIOUS POSITION OF EXPLAINING TO ONE FOREIGN DELEGATION WHY IT IS GETTING LESS MONEY THAN SOME OTHER. THERE IS MOVE AFOOT AMONG ZAYED'S MINISTERS TO PUT GREATER PERCENTAGE OF UAE ASSISTANCE THIS YEAR INTO MULTILATERAL CHANNELS, BUT ZAYED'S DISPOSITION TO PLAY GENEROUS SHAIKH ON PERSONAL BASIS WILL NOT BE EASILY PUT DOWN.

12. UAE HAS HAD INCREASING CONTRACTS RECENTLY WITH EAST EUROPEAN COMMUNIST STATES, MOSTLY IN TRADE RELATIONS. THESE WILL PROBABLY CONTINUE TO GROW, BUT WE HAVE NO EVIDENCE THAT ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH ANY COMMUNIST STATE IS IMMINENT. THIS WOULD BE UNPOPULAR MOVE TO BHT RASHED AND SAQR, AND WE BELIEVE SAUDIS WOULD ALSO OPPOSE IT AT THIS TIME. SAUDIS HAVE, ON OTHER HAND, BEEN CONSULTED

AND APPARENTLY EXPRESSED NO OBJECTION TO UAE'S PURSUING MORE ACTIVE TRADE RELATIONS WITH EAST EUROPEANS.

III OIL POLICY AND ECONOMIC OUTLOOK

13. ALTHOUGH SOME ISSUES ARE STILL TO BE RESOLVED, ABU DHABI HAS IN GENERAL REACHED SATISFACTORY TERMS WITH OIL MAJORS IN 1976 FOR LIFTINGS OF ABOUT ONE AND ONE HALF MILLION BARRELS A DAY. WITH ABU DHABI CRUDES PRICED RIGHT, AND A RISING WORLD MARKET FOR OIL, REPETITION OF 1975 EXPERIENCE, WHEN LIFTINGS SUDDENLY PLUMMETED, SEEMS UNLIKELY. PROJECTED PRODUCTION WILL PRODUCE ABOUT \$4.5 BILLION

IN INCOME FOR ABU DHABI, ABOUT ONE BILLION MORE THAN 1975, AND MORE THAN ENOUGH TO FUEL BOTH ABU DHABI AND FEDERAL DEVELOPMENT PROGRAMS, GENEROUS SUBSIDIES TO OTHER RULERS, AND TO MAINTAIN AT LEAST LAST YEAR'S LEVEL OF FOREIGN ASSISTANCE. GIVEN DIFFICULTIES IN GETTING PROJECTS STARTED CONSIDERABLE SURPLUS CAN AGAIN BE EXPECTED. ABU DHABI HOPES TO SET ASIDE 15 PERCENT OF ITS 1976 INCOME FOR INVESTMENT, "IF WE CAN GET OUR HANDS ON IT BEFORE SHAIKH ZAYED GIVES IT AWAY," AS ONE FRUSTRATED FINANCE OFFICIAL PUT IT.

14. WITH COMFORTABLE INCOME ASSURED AT PRESENT PRICES, UAEG IS LIKELY NOT TO BE AMONG OPEC MEMBERS WHO PRESS FOR HIGHER PRICES WHEN SUBJECT COMES UP AT MAY OPEC MEETING. AT SAME TIME IT IS STRONG BELIEVER IN OPEC SOLIDARITY AND WILL PROBABLY

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CONTINUE TO PLAY ROLE OF TRYING TO FIND COMPROMISE FORMULAE TO BRIDGE GAPS BETWEEN VARIOUS FACTIONS WITHIN OPEC.

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